

# **MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**

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## **PRESS NOTE**

### **Order dated 9<sup>th</sup> September 2011 of Maharashtra Electricity Regulatory Commission (MERC) for decision on the Review Petition on Cross Subsidy Surcharge (CSS) (Case No. 9 of 2006 dated September 5, 2006) and De Novo re-determination of CSS payable by Open Access Consumers**

1. MERC through an Order dated 5<sup>th</sup> September 2006 had determined CSS to be Zero which was applicable for Open Access Consumers from September 2006 to September 2011(i.e. till date of this Order). Maharashtra State Electricity Distribution Company Limited (MSEDCL) had filed a Review Petition to MERC on August 25, 2010 seeking review of the aforesaid Order and also prayed to condone the delay in filing the Review Petition. MSEDCL prayed before MERC that CSS cannot be determined as zero, and rather should be a value that can compensate MSEDCL's loss of Cross Subsidy on account of any consumer seeking Open Access.
2. MERC vide Order dated 9<sup>th</sup> September 2011 dismissed MSEDCL's Review Petition, on the grounds that it doesn't hold any merit and is also time barred as it is not within the stipulated timeline of 45 days from the date of Order, i.e., 5<sup>th</sup> September, 2006.
3. MERC has decided to De novo re-determine the CSS due to the change in the current power scenario, as compared to the scenario that prevailed in 2006. MERC has considered the fact that there was a power deficit scenario in 2006 with load restrictions of 10% to 20% for continuous and non-continuous process industries respectively. Therefore, a zero CSS at that time was also encouraged to meet the power requirement of the industries through Open Access in the State and any impediment through CSS would have led to slow down in the development of the State economy. In the present scenario, MSEDCL has communicated to MERC that they have withdrawn the load shedding from almost all areas of Maharashtra except for a few pockets where it was not possible to do so due to transmission bottlenecks.

Further, the scenario of Tariffs and weighted average avoided power purchase cost as per the CSS formula has also changed.

4. MERC, after appropriate deliberations, has adopted the CSS formula as specified in the Tariff Policy, Ministry of Power, Government Of India which is in tune with the objectives of Electricity Act, 2003 (EA 2003). In one of the Judgments in appeal on an Order of APERC, the Hon'ble Appellate Tribunal for Electricity (APTEL) viewed that all the Regulatory Commissions must follow the Tariff Policy formula for CSS. Therefore, MERC in this Order dated 9<sup>th</sup> September 2011 has followed the formula specified under the Tariff Policy.
5. The CSS has been computed based on the Average Billing Rates (ABR), Power Purchase Cost, Wheeling Charges and system loss approved in the Tariff Orders of the respective licensees for the year 2010-11. The CSS for Open Access transactions for various Consumer category based on their voltage levels arrived will be applicable **prospectively** from the date of this Order. The range of applicable CSS, distribution licensee wise is provided below:-
  - **MSEDCL:** HT Categories – Rs 0.21 unit to Rs 3.97 per unit.
  - **RInfra-D:** HT Categories – Rs 0.26 per unit to Rs 2.79 per unit.
  - **TPC-D:** HT Categories (Only for Temporary Consumer) – Rs 2.58 per unit to Rs 2.81 per unit.
6. It is most likely that in the MSEDCL's area HT Industrial Consumers may opt for Open Access, for which the applicable CSS will be in the range of 21 Paise to 92 Paise per unit. Even after taking into account the applicable CSS, Open Access would still be beneficial for these consumers and is in consonance with the objectives of EA 2003 for promotion of Open Access & development of market. This will also hold true with respect to the consumers of RInfra –D and TPC –D.
7. CSS applicable to Open Access transactions from Renewable Energy Sources has been fixed at 25% of the applicable CSS of the relevant consumer category. MERC has fixed a discounted CSS in order to promote generation from Renewable Energy sources, which is in line with the objectives of EA 2003.

8. MERC had analyzed whether the Open Access Consumer will still find it feasible to opt for Open Access transactions, even after the CSS is levied. The analysis was carried out based on the assumption that an Open Access consumer can source power at Rs 3.50 per unit and avail a landed price based on the applicable wheeling charges. For example, HT consumers (33kV) like Industrial / Commercial Consumers connected on Express /Non Express feeders will have a price advantage of about Rs 1.47 per unit if they opt for Open Access.

The detailed Order dated 9<sup>th</sup> September 2011 is available on the Commission's website [www.mercindia.org.in](http://www.mercindia.org.in) in downloadable format.

Sd/-  
(Kuldip N. Khawarey)  
Secretary

Dated: 9<sup>th</sup> September 2011